

Palmetto State Providers Network

**Beyond Network Sustainability:
Building on a Pilot Program Success
Story**

W. Roger Poston, II, Ed.D.

Director, Academic and Research
Systems, Office of the CIO
Medical University of South Carolina

Larry Vincent

Vice President
FRC, LLC

Jeff Mitchell, Esq.

Lukas Nace Gutierrez & Sacks LLP
Counsel for FRC LLC



Agenda



- Introduction
- Transition to the Rural Health Care Program
 - Calculating Support
 - Consortium Application
- Rural Health Care Reform
 - Expanding Eligibility
 - Broadband Services Support

Pilot Program Success



- **\$7.9 million Award**
 - 55 sites currently connected
 - 140+ total sites expected by 2012
 - Projecting 100% utilization
 - PSPN architecture dramatically reduced costs while increasing services and capacity
- **Network Highlights**
 - Network as a service
 - 10 MB – 1 Gb Ethernet at edge
 - Postalized pricing
 - Sustainability contemplates continued RHC support

About PSPN

- Provides broadband access to hospitals, community healthcare centers, and physicians' offices across South Carolina – improving delivery of medicine and lowering costs.
- Organized as a subsidiary of the Health Sciences South Carolina (HSSC), which is a statewide collaborative bringing together South Carolina's four largest healthcare delivery systems and its two academic medical schools, among others.
- Overall goal is to improve health status, education, and economic well-being for all South Carolinians.



About FRC, LLC

- Owned by SCANA Communications Inc & PalmettoNet
- Employs regional fiber optic network owned by SCANA & PalmettoNet for core backbone
- Competitively bid 10-year contract to provide network services to PSPN



The Pilot Program

- “[E]xpressly designed to explore, from the ground up, how to best encourage the deployment of broadband facilities necessary to support the enormous benefits of telehealth and telemedicine applications.”
 - RHCPP Selection Order at ¶ 15
- “A primary goal of the Pilot Program is to ensure the long-term success of rural health care networks”
 - RHCPP Selection Order at ¶ 54

Beyond the Pilot Program

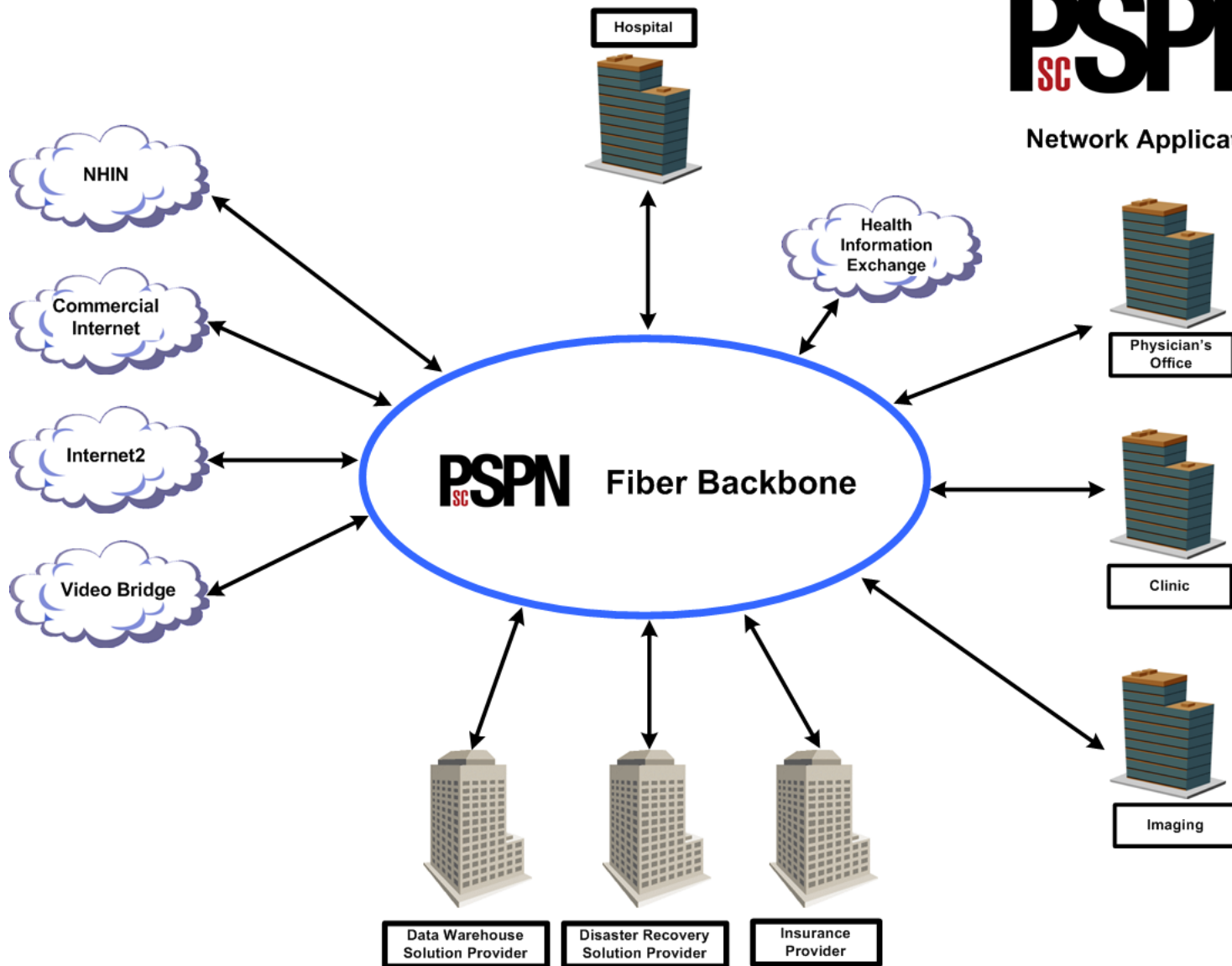
- *Approved PSPN Sustainability Model*
 - Services only (no owned infrastructure)
 - Purchasing power drives down cost/price
 - RHC program support after 3 years (rural only)
- *RHC funding needed in FY 2012*
 - Pilot Program funding ending for some PSPN sites
 - Approved 10-year “Evergreen” contract in place
 - Need to determine RHC support calculation

PSPN Network

- Any-to-any connection, similar to Internet
- Flat rate for connections anywhere on network
- A single, PSPN Ethernet connection serves multiple purposes
 - Internet
 - Private broadband
 - EMR
 - Telemedicine, video, etc
- Provides one invoice to USAC vs multiple invoices
- PSPN manages entire network except HCP's local LAN
- PSPN provides high bandwidth, private broadband for superior security and performance vs Internet

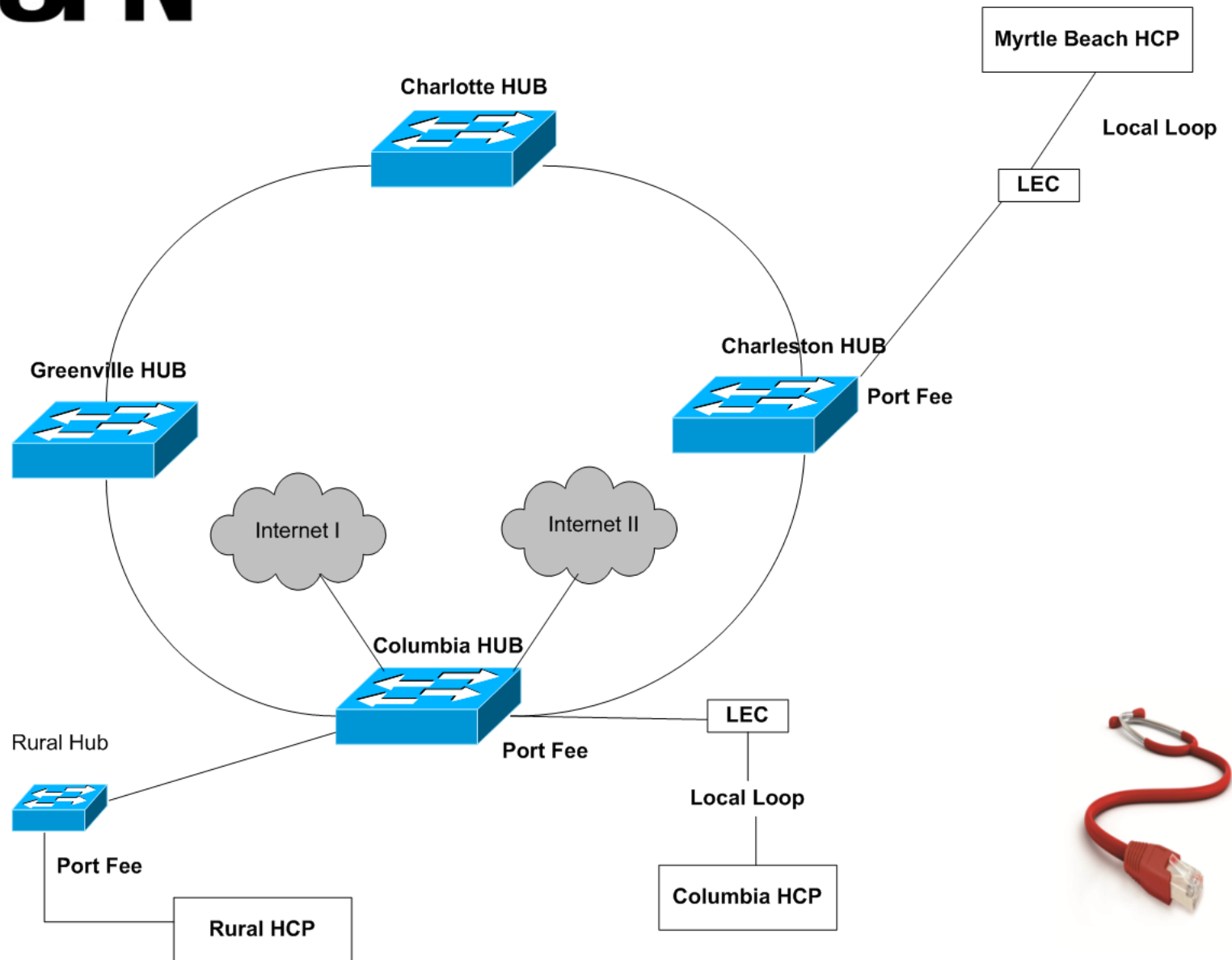


Network Applications



PSPN Network

- *All sites obtaining Managed Ethernet services*
 - 1000 Mbs for large hospitals; everyone else 10-100 Mbs
 - Typical customer support functions such as network monitoring
- *Fees for 10 Mbs Service*
 - Urban and rural sites pay service fees consisting of:
 - Port fee - \$410 MRC
 - Non-site-specific distance sensitive costs
 - Local loop - *variable MRC for rural; ≈ \$700 MRC for urban*
 - Costs of connection from site location to PSPN hub



Traditional HCP IT Connections

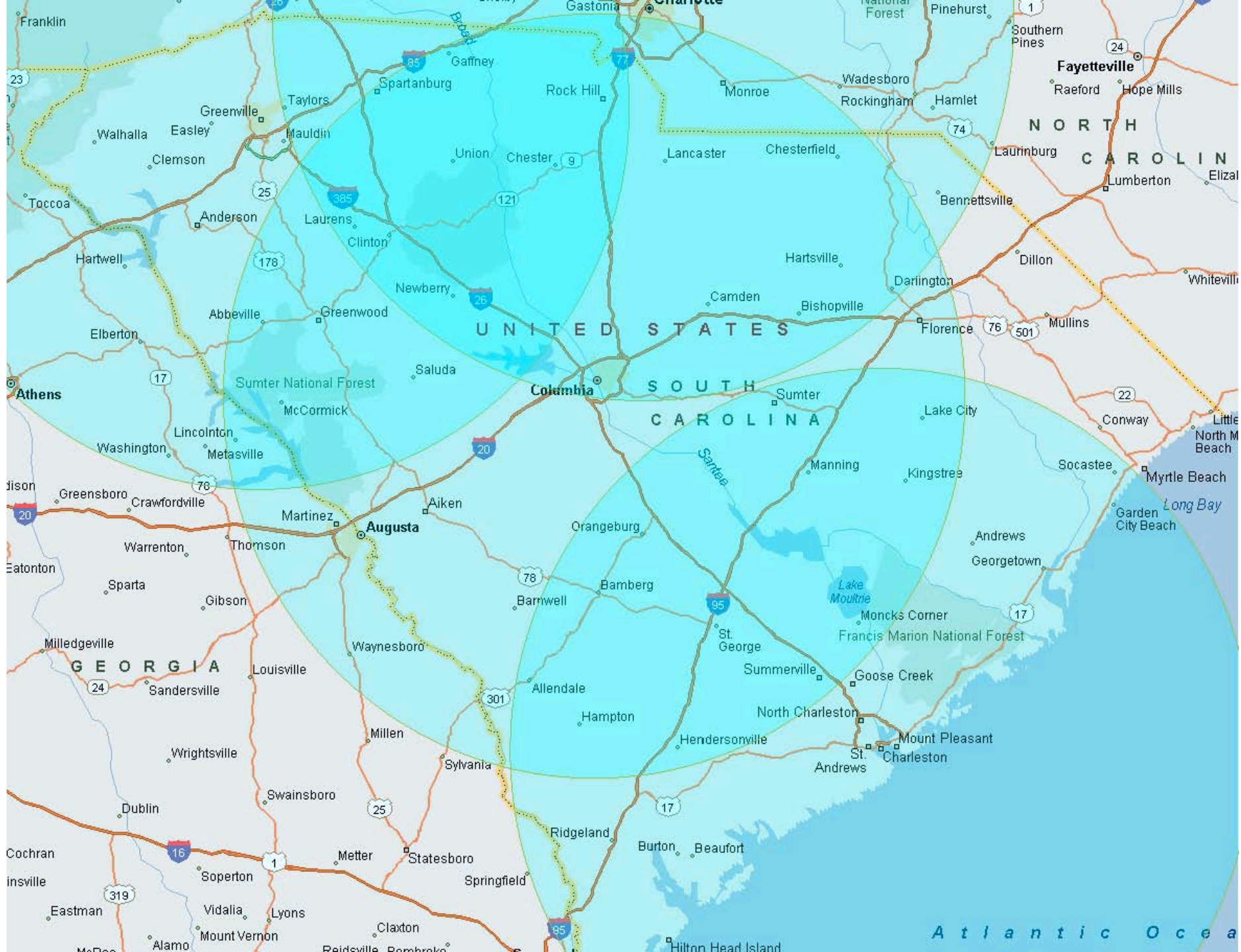
- Linear point-to-point circuits with single purpose
 - Results in many unnecessary connections to HCP
- Multiple vendors for local loop and long haul
- Longer connections often feature distance sensitive rates
- HCP manages multiple connections, security, performance, billing, etc.

RHC Discounts

- *Section 254(h)(2) – Advanced Services*
 - Pilot Program
 - 85% subsidy for both urban and rural
 - Limited in amount and time
 - Internet Access Support
 - 25% subsidy
 - *Proposed Health Broadband Services Program*
 - 50% subsidy
- *Section 254(h)(1)(A) – Urban-Rural Difference*
 - Discount equal to an amount necessary to provide “reasonably comparable rates” for “similar services” as between rural and urban areas of a State.

Calculating RHC Support

- *Eligible sites receiving eligibles services*
 - “Ethernet” is an eligible telecommunications service
- *Proposed RHC support calculation for PSPN*
 - Urban-Rural Difference
 - Discount = Rural base rate minus urban base rate
 - Example (10 Mbs):
 - Urban base rate = \$700 urban local loop MRC
 - Rural base rate = \$410 port fee plus \$900 rural local loop MRC
 - (\$410 port fee + \$900 rural local loop) - \$700 urban local loop = \$610 in RHC support
 - Maximum Allowable Distance (MAD) does not apply
 - Distance from site to core will never exceed MAD;
 - Each site funding its share of edge-core connectivity; ability to reach back out from core to edge (or outside state) funded by others.



Beyond the Pilot Program

- *Consortium Application Process*
 - Sustainability depends on member participation
 - Member participation depends on PSPN managing the RHC application process on behalf of members
 - Rules specifically establish consortia as eligible entities. 47 CFR §§ 54.601(a)(2)(vii); 54.601(b)
 - RHC program forms both contemplate consortia participation yet require site-specific form filing.
 - Hybrid application process to support pilot migration?
 - Would like to work with USAC

RHC Reform – Eligibility

- ***The Issue:*** Rural for-profit health care clinics and sole practitioners are the only health care providers in many remote and rural communities, yet cannot afford needed investment for broadband and lack technical expertise/resources to address technology requirements.
- ***Recommendation:*** The FCC should recognize rural for-profit health care clinics and sole practitioners that either bill Medicare or have patient volumes consisting of a certain percentage of Medicaid beneficiaries as eligible “public health providers.” This would be an appropriate and logical extension of the FCC’s current policy of recognizing emergency departments of rural for-profit hospitals as eligible public health providers. This recommendation received overwhelming support among commenters. (Courtesy OHN.)

RHC Reform – Broadband Services

- ***The Issue:*** FCC proposed Health Broadband Services Program (HBSP) – 50% subsidy. Widely supported and uncontroversial.
- ***Recommendation:*** The FCC should implement HBSP in time for pilot projects to obtain FY 2012 services. Should consider supporting urban sites if part of consortia with non-*de minimis* rural participation.